

# Alternative Funding for Research Facilities

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## **Discussion of the Capital Investment Workgroup** of the Commission to Develop a Maryland Model of Funding Higher Education

July 16, 2008

Penultimate DRAFT -- Revised 7/11/08

# Presentation Overview

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- **Financing Research Buildings**
  - Brief overview of options presented in 1998 Report
  - Example of how HSF II was funded
- **Indirect Cost Recovery (ICR) Funds**
  - Definition
  - How Rates are Determined
  - How ICR Funds are Used/Allocated
- **The Garamendi Program in CA**
  - General Overview
  - The UCSF and UC Berkeley Experience
  - UCSF's Current Funding Strategy
- **A Garamendi-like Program in Maryland?**
  - Challenges to Implementation
  - Potential Alternatives for MD Projects



# Financing Research Buildings

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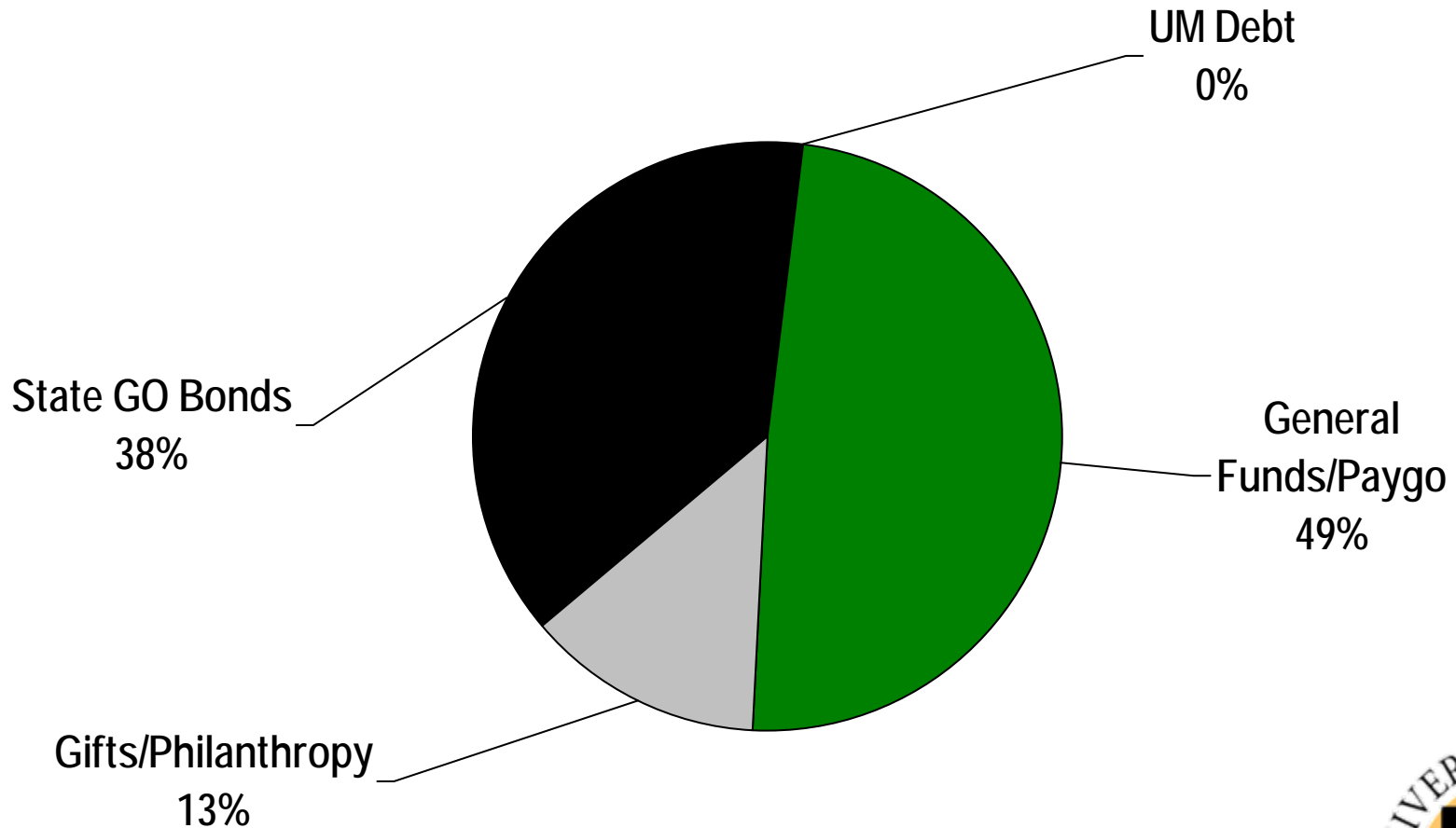
## From a 1998 Response to a JCR Request:

- Increased General Obligation Bonds
- State General Funds / Paygo\*
- USM Bonds (Garamendi-type program)
- Federal funds (direct and indirect)
- Grants, gifts, philanthropy
- Use of separate authority
- Public/private partnership



# How HSF II Was Funded (FY1999-2002)

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Source: DBM



# Indirect Cost Recovery (ICR) Funds

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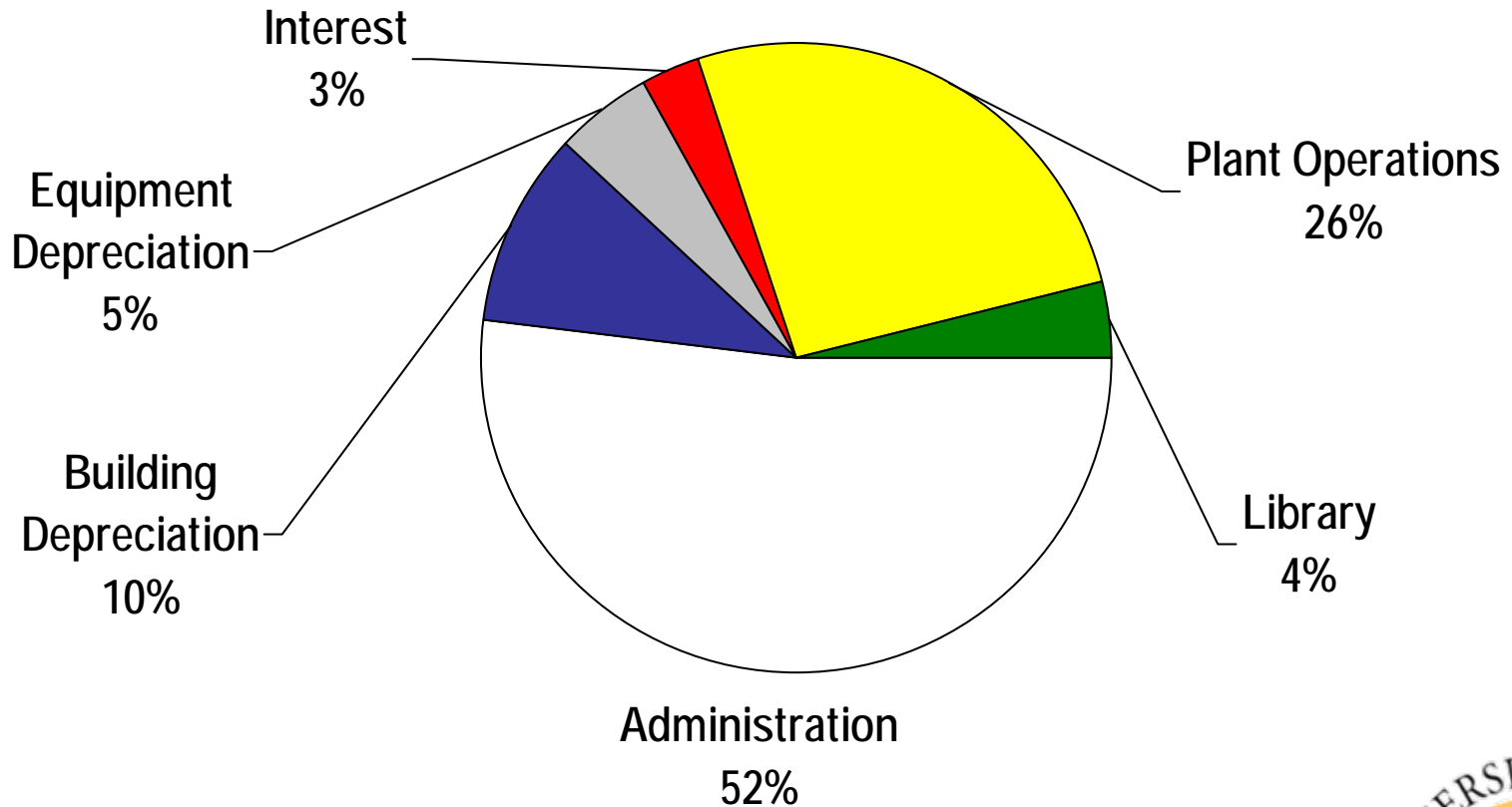
## Definition:

- Percentage added to “Direct” grant funding to help support the portion of organizational facilities and administrative costs that can be attributed to the grant
- ICR rate is negotiated with Federal government based on university proposal



# Indirect Cost Recovery (ICR) Funds

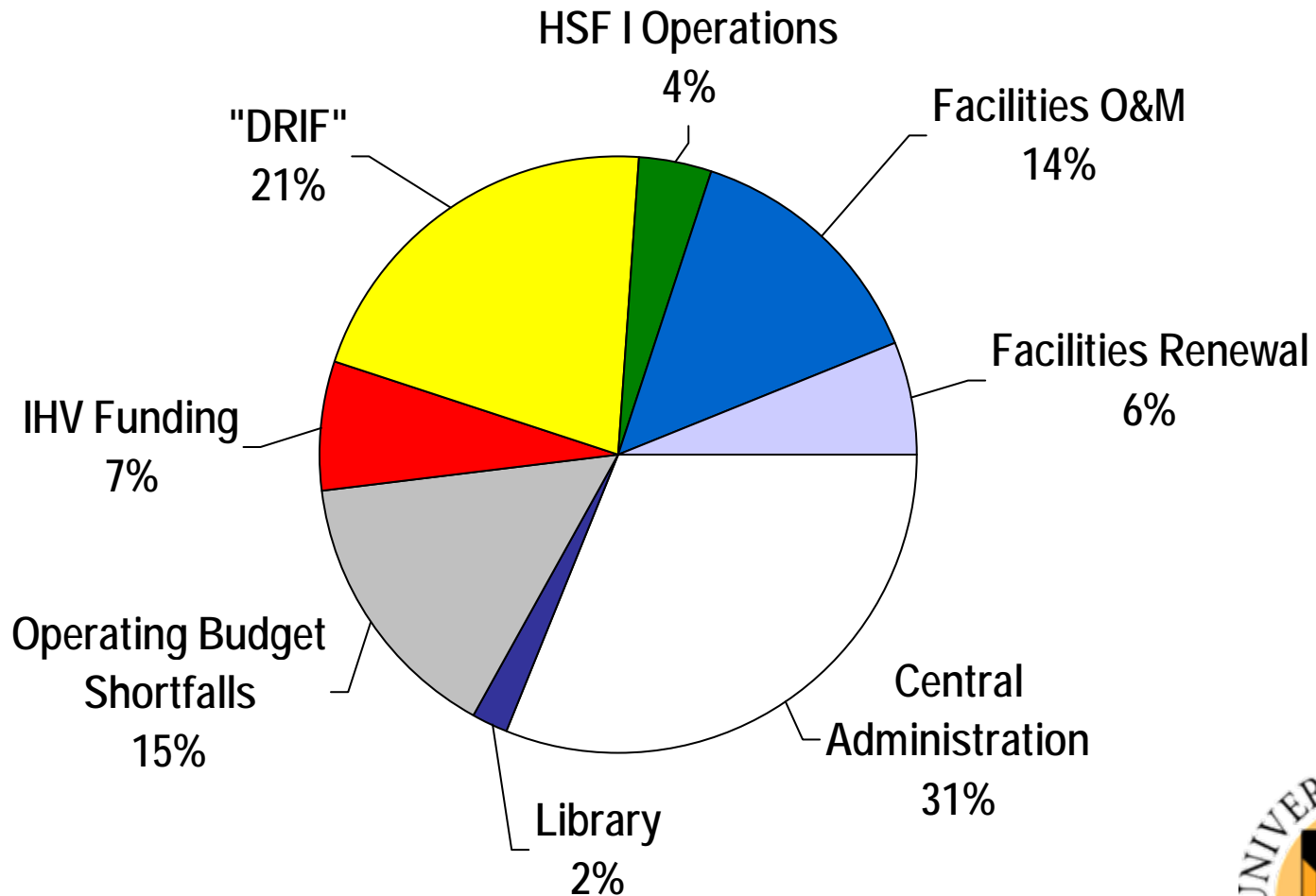
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**How the Rate is Determined (UMB)**



# Indirect Cost Recovery (ICR) Funds



**How Funds are Allocated (UMB)**  
(UMCP is similar, but the DRIF portion is higher)



# The Garamendi Program in California

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## General Overview\*

- Funds research and non-research buildings
- Revenue Bonds of the University
  - *Requires sufficient capacity*
- Debt service paid with ICR funds
  - *Intent is to use “net new” ICR funding*
  - *Initially campus ICR funds and other sources help meet debt service payments*
  - *Assumes ICR funds are available for purpose*
- Typically a portion of a larger funding plan for a particular project
  - *In addition to other debt, state support, philanthropy, and university cash*

\*Note DLS presentation regarding the relative size of research enterprise in CA vs. MD, both in terms of grant/ contract income and the number of research campuses.



# The Garamendi Program in California

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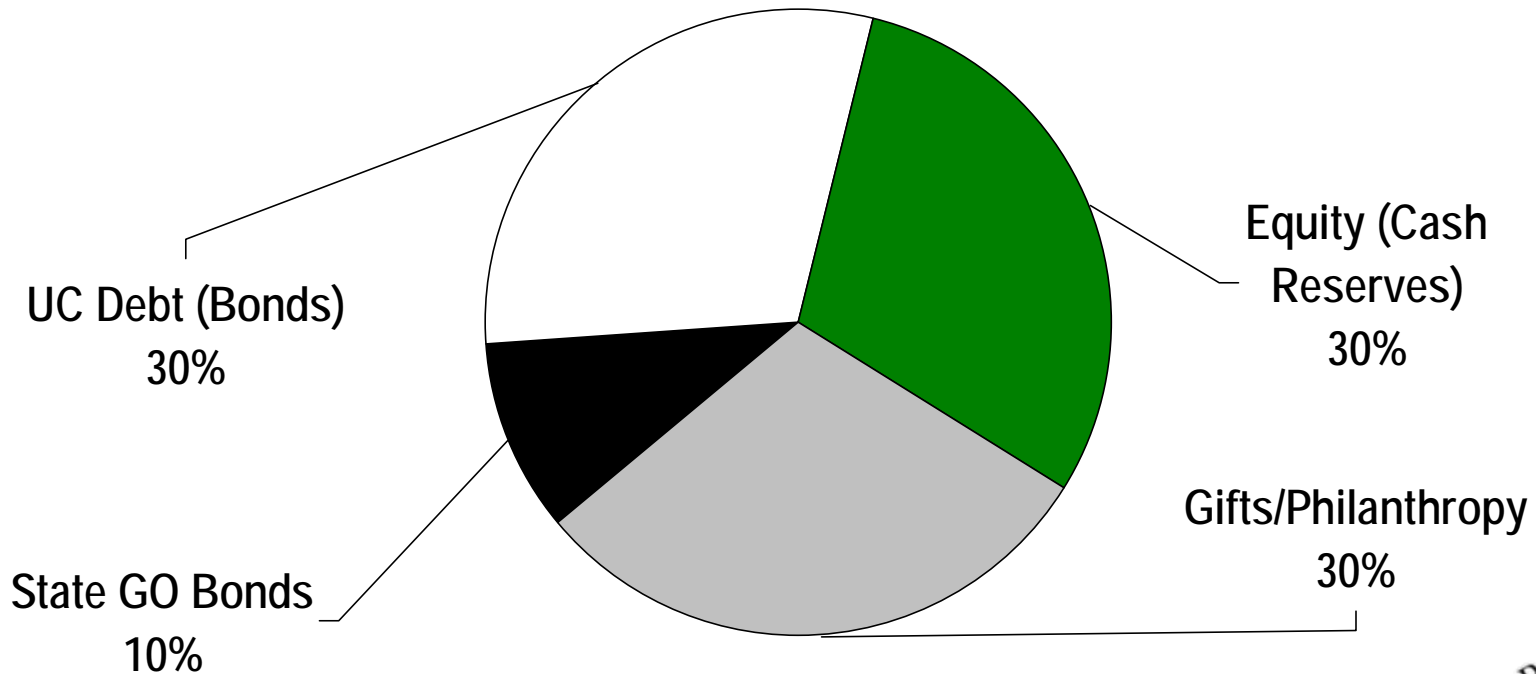
## The UCSF and UC Berkeley Experience

- Only used once at UCSF (1995); not now used at UC Berkeley
- UCSF Facility didn't generate enough additional ICR to pay debt obligation until 2002
- Campus relied on cash/UC debt
- Division of Cost Allocation (DCA) now won't provide increased ICR rate
- Previous ICR support for research and libraries now go unfunded



# The Garamendi Program in California

## UCSF's Current Funding Plan (4 new buildings)



**Other campuses and projects experience similar mix, but may be in different proportions**

Source: Eric Vermillion, Associate VC for Finance, UC San Francisco



# A Garamendi-like Program in Maryland?

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## Challenges to Implementation:

- Requires sufficient debt capacity
- Requires strong philanthropic support and sufficient campus funds to help carry the projects until (if) ICR funds “catch up”
- Requires ICR funds be available for this purpose and not already fully appropriated
  - *To current operations*
  - *To “DRIF” \**

\*DRIF is critical to success of research enterprise, funding things like: recruiting & start-up packages; matching funds for grants & contracts; renovation/renewal of facilities; support for research assistants; etc.



# Potential Alternatives for Maryland

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- More GO Bond support (increase debt limit)
- State GF/Paygo options (November ballot)
- Additional State base support frees ICR funds
- Increased support possible through increased ICR, if GO Bond debt service can be tied to buildings containing funded research
- Note increasing gifts, philanthropy (“NBF”)
- Consult with “TUFF” or UC re: alternatives

